INDIANAPOLIS-MARION COUNTY COUNCIL

TAX INCREMENT FINANCING STUDY COMMISSION

GLOSSARY

Additional bonds test: a financial test that requires estimated revenue to exceed projected debt service requirements by a certain ratio for both the outstanding debt and the proposed debt issue.

Allocation area: the part of an area to be developed or redeveloped that is designated in the declaratory resolution for purposes of distribution and allocation of property taxes.

Appeals reserve: fund dedicated to the refund of taxes that may result from property tax appeals.

Assessed value (AV): The total dollar value assigned to all real property and improvements plus personal property subject to taxation.

Base assessed value (Base AV): the aggregate assessed value of all allocation area property.

Base taxing units (taxing units): An organization or government body having the statutory right to fund itself through the property tax system. Examples include schools, park districts, cities, and townships.

Bond indenture: an agreement between the bond issuer and the bondholder; generally specifies interest rate, maturity date, reserve requirements, and other provisions.

Brownfield Redevelopment Program: an Environmental Protection Agency program that provides tax incentives and grants to encourage remediation and development of contaminated, dilapidated, or obsolete industrial sites.

But For test: the idea that without public incentives, a project will not occur.

Call provision: provision in the bond agreement that allows the issuer to pay off the debt early without penalty.

Capital: liquid money used for investments in projects or businesses.

Capitalized interest: funds from a bond sale held aside for future interest payments.

Certified Technology Park (CTP): a cluster of high-technology businesses and research facilities that uses the incremental retail and income taxes generated from within the park to finance development projects.

Circuit breaker (tax cap): In Indiana, the method used to ensure that no more than a certain percentage of a property's assessed value is paid in taxes. The percentage represents the maximum "cap" for property taxes on the property. If the taxes for a property exceed the cap percentage, the tax bill that the property owner will have to pay is reduced by the dollar amount above the cap. The actual property tax to be paid would then equal the dollar amount of the property's assessed value multiplied by the circuit breaker percentage cap. For example, if a property with an assessed value of $100,000 has a tax bill of $2100 and the circuit breaker percentage cap is 2%, a tax credit in the amount of $100 would be issued for that property, thereby reducing the property tax amount due to $2000 or 2% of its assessed value.

Clawback: money or benefits that are taken away for failure to adhere to a contract or agreement.

Community revitalization enhancement district (CRED): a cluster of commercial and industrial businesses that earns incremental state and local income and sales tax and qualifies for tax credits up to 25 percent of investments in redevelopment.

Confirmatory resolution: adoption of the declaratory resolution by the Metropolitan Development Commission

Consolidated City: City of Indianapolis and Marion County.

Consolidated tax increment financing district: two or more TIFs that pool funding and debt obligations; the revenues and fund balances can be used to pay obligations of any of the TIF districts.

County option income tax (COIT): additional income taxes imposed on residents of the County and non-residents who work in the county.

Credit enhancement: use of the credit of a stronger entity to improve the credit of a lower-rated entity to assist it in obtaining financing.

Cumulative capital development fund (CCD fund): governmental fund used to accumulate funds for future capital expenditures.

Debt limit: statutory or constitutional limit on the principal amount of debt that an issuer may incur or have outstanding at any given time.

Debt service: required principal and interest payments on a bond.

Debt service coverage: the amount by which tax revenues exceed the annual debt service amount.

Debt service reserve (DSR): specified amount of the principal and interest on a bond that is required to be held aside as insurance against default in debt service payments.

Declaratory resolution: legal action of a redevelopment commission that designates geographic boundaries, purpose, and limits of an allocation area.

Dormant TIF district: a TIF district in which all debt has been repaid and there are no ongoing development projects.

Economic and Tax Revenue Impact Statement: a statement that by law is issued to the base taxing units 10 days prior to MDC hearings regarding the creation or expansion of a TIF district.

Economic development: macro-economic policies designed to improve the economy in a region through job creation, and business attraction, retainment, and growth.

Economic development area (EDA): a geographic location where job creation, business expansion, and economic growth might not normally occur without government intervention.

Economic development revenue bond: tax exempt municipal bonds issued by the government and lent to private borrowers for economic development projects. The bond is secured by the pledge of revenue generated from the private borrower.

Economic improvement district (EID): a geographical location where property owners agree to pay a special assessment in addition to their property tax to fund new development projects in the district.

Economic revitalization area (ERA): a geographical location that has become undesirable for normal development and occupancy because of a lack of development, cessation of growth, deterioration of improvements or character of occupancy, age, obsolescence, substandard buildings, or other factors that have impaired values or prevent a normal development of property or use of property.

Environmental remediation: removal and cleanup of pollution or contaminants.

Gap funding: the difference between the cost of a project and the amount that investors are willing to invest in the project in order to achieve a market rate of return on that investment.

General obligation bond (GO bond): a municipal bond secured by the pledge of the issuer's full faith, credit, and taxing power.

Greenspace development: projects that utilize undeveloped open space or agricultural land; usually located on the periphery of cities and towns.

Industrial development bond (IBD): tax exempt municipal bonds issued by the government and lent to private borrowers for industrial development projects. The bond is secured by the pledge of revenue generated from the private borrower.

Levy: The product of a specified tax rate and the assessed value.

Market rate of return (return on investment): the ratio of money gained or lost on an investment relative to the amount invested.

Market value assessment standards: The annual adjustments to property values are calculated by comparing the prior year assessment with current sales data from a neighborhood. The difference, positive or negative, will be used to create a factor that assessing officials will apply to the property's assessed value to determine its current market value.

Material event notice: a reduction of the required debt service reserves would result in a mandatory report to bondholders and could result in a rating review and downgrade, higher borrowing costs, and difficulty in attracting investors for future bond issuances

Memorandum of understanding (MOU): document describing an agreement between two or more parties.

Midwestern Disaster Relief bond: tax exempt municipal bonds issued by the government and lent to private borrowers in disaster areas. The bond is secured by the pledge of revenue generated from the private borrower.

Mixed-use: developments used for more than one purpose, such as residential, commercial, or industrial.

Moral obligation: payment is not legally based on the full faith and credit promise of the government to use its taxation powers to raise revenue to service the debt; when the government lends its "moral obligation" to a privately held bond, it affirms its willingness to support the debt in case of default

New Employee Income Tax: a tax credit that gives hiring incentives to companies that hire new employees.

New Market Tax Credit Program (NMTC): federal program that uses federal tax credits to encourage new or increased capital investment in low-income communities.

Par: 100% of the price of a security.

Pass-through: excess assessed value that is returned to the TIF district's base upon the discretion of the Metropolitan Development Commission.

Pay-as-you-go: direct funding of projects with revenue already earned and collected.

Personal property: Personal property typically involves moveable items that are not permanently affixed to a physical structure. Examples of personal property include: farm equipment, appliances that are not "built in" to the structure, vehicles, furniture and similar items.

Petition-remonstrance: The petition and remonstrance is the process that allows taxpayers to object to a "controlled" project proposed by a local unit of government.

Project TIF: tax increment is used to repay a portion of the debt associated with a project, after which the increment is passed to the base taxing units.

Property tax abatement: elimination or reduction of property taxes that would normally be due to the local government as an incentive for a company to make capital investments and to create jobs.

Property tax rate: A percentage applied to each taxing body's assessed valuation which will produce the amount of that taxing body's levy, calculated as the levy divided by assessed value. The tax rate is expressed in terms of "dollars per $100 of assessed value."

Real property: The interests, benefits and rights inherent in the ownership of physical real estate.

Redevelopment: repair and reuse of buildings that are blighted, abandoned, contaminated, or deteriorating.

Redevelopment area (RDA): a geographic location where the development of blighted, abandoned, contaminated, or deteriorating buildings might not normally occur without government intervention.

Referendum: direct voting in which citizens are asked to approve or disapprove a government proposal.

Request for proposal (RFP): a government invitation to private contractors to enter a competitive bidding process to win government contracts.

Revolving loan fund: a pot of money used to give loans to small and medium sized businesses; loan repayment funds additional loans to other businesses.

Special assessment: An assessment against real estate levied by a public authority to pay for public improvements, e.g., sidewalks, sewers, street improvements, etc. or an amount levied against individual owners in a condominium or cooperative to cover their proportionate shares of a common expense.

Stabilization fund: an additional reserve requirement in a bond ordinance to be used if revenues are insufficient to pay debt service.

Sunset dates: specified expiration date.

Tax increment: the difference between the amount of property tax revenue generated before TIF District designation and the amount of property tax revenue generated after TIF District Designation.

Tax increment financing (TIF): an economic development tool used to encourage investment and development within a specified geographical location. Incremental tax increases on the assessed property value are captured by the District and used to pay debt that is borrowed on the expected increment or to directly fund the projects and activities used in redevelopment or economic development projects within the TIF District.

Tax increment financing district (TIF district): the defined geographical area in which TIF is implemented; debt is used to fund multiple projects with an allocation area, and the increment continues to be leveraged against additional debt or used toward pay-as-you-go projects.

Tax increment financing neutralization: a legally required process that is intended to neutralize the effect of external factors on the base and increment.

Tax increment financing project team (TIF project team): group of stakeholders involved in the decision-making process for TIF districts.

Taxing district - the geographic area within which a taxing unit has the authority to fund itself by levying property taxes.

Tax revenue bonds: municipal bonds secured by the pledge of revenue generated from taxes.

Tax unit (base unit): An organization or government body having the statutory right to fund itself through the property tax system. Examples include schools, cities, and townships.

Trending: a way of assessing the value of real estate that requires assessors to research sales of properties in a particular area over a specific time period. Using that information, assessors then estimate the values of other properties in the same area to determine an assessed value.

Underwriter: the securities dealer who purchases a bond or note issue from an issuer and resells it to investors.